



Fund Flash



Nordea 1 - European Financial Debt Fund

ISIN: LU0772944145 (BP-EUR) / LU0772943501 (BI-EUR)

The fund invests selectively in bonds issued by European financial institutions, most notably banks and insurance companies, aiming for superior risk adjusted returns compared to the broader European financial high yield market.¹

Portfolio comment as of 31/08/2019

After a roaring H1, the mounting macro issues has stalled markets somewhat. In August credit spreads were on average slightly lower over the month. It may seem like a paradox, but Italy now appears almost like a (political) safe-haven compared to the UK. This was partly reflected in credit performance with Italy having a stronger month than the UK.

Besides the larger macro issues such as Brexit, Italian Government, recession fears, negative yields, etc. also litigation risk came back to the forefront as a performance driver in the banking sector. In Spain, several rulings are expected by the Supreme Court and European Court of Justice in the coming months. The matters revolve around the interest rate on revolving cards that has been judged as abusive by some regional courts.

Most insurers reported H1 results in August and we saw very few surprises. Generally the fall in interest rates is eroding solvency ratios somewhat, but from generally very high solvency levels.

In this context, the fund delivered a monthly return equal to -0.08%, bringing YTD performance to 9.47% (BP-EUR).

We have further positioned ourselves in Iberian domestic banks, adding to positions in Caixa Geral in Portugal and Liberbank in Spain. We reduced slightly in Wizink. We have also further increased in Italy, more specifically in Monte T2. We utilised the tightening in the CDS spreads of UK banks during the month to buy protection in Lloyds at a subordinated level hereby further limiting overall exposure to UK/Ireland in our portfolio. We have marginally decreased our allocation to insurance in August. Specifically, in the UK we have increased in Phoenix Life and reduced in Aviva and PICORP on the back of Phoenix underperforming with no fundamental rationale.

Period	Performance (BP-EUR)
Year 2018	-4.54%
Year 2017	11.86%
Year 2016	3.95%

Cumulative Performance	1M	YTD	3 Years
Fund (BP-EUR)	-0.08%	9.47%	19.59%

The performance represented is historical; past performance is not a reliable indicator of future results and investors may not recover the whole amount invested. The value of shares can greatly fluctuate as a result of the sub-fund's investment policy and cannot be ensured, you could lose some or all of your invested money. 1) There can be no warranty that an investment objective, targeted returns and results of an investment structure is achieved. The value of your investment can go up and down, and you could lose some or all of your invested money.

* investing in their own account - according to MIFID definition

Source (unless otherwise stated): Nordea Investment Funds S.A. Period under consideration (unless otherwise stated): 31/07/2019 to 31/08/2019. Performance calculated NAV to NAV (net of fees and Luxembourg taxes) in the currency of the respective share class, gross income and dividends reinvested, excluding initial and exit charges as per 31/08/2019.

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